

Message Text

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E.O.11652:N/A
TAGS: EAGR, ELAB, SP
SUBJ: FARM PRICE NEGOTIATIONS AND FARMER DEMONSTRATIONS

1. SUMMARY: FORMAL GOVERNMENT-FARMER PRICE NEGOTIATIONS HAVE BEGUN ACCCOMPANIED BY A NEW OUTBREAK OF WORK STOPPAGES AND "TRACTORCADES." FARMERS ARE DEMANDING AVERAGE PRICE INCREASES OF 20. THE GOVERNMENT, AS PART OF ITS OVERALL ANTI-INFLATION FIGHT IS SEEKING A LOWER FIGURE. THE CONSENSUS AMONG OUR SOURCES IS THAT THE GOVERNMENT'S DECISION WILL BE FOR A 12-15 INCREASE. THIS WOULD BE WELL WITHIN THEIR INFLATION-CONTROL GUIDELINES BUT IS NOT LIKELY TO FULLY SATISFY THE FARMERS AND MAY SPUR ADDITIONAL DEMONSTRATIONS. END SUMMARY.

2. THE ECONOMIC STABILIZATION PROGRAM (MONCLOA PACT) NEGOTIATED BETWEEN THE GOVERNMENT AND THE OPPOSITION IN OCTOBER 1977, ENVISAGED A SERIES OF FARM POLICY GUIDELINES INCLUDING THE ESTABLISHMENT OF A COMPREHENSIVE PRICE REGULATION SYSTEM (SIMILAR TO THE EC'S PRICE PACKAGE REGULATION), TO BE ANNOUNCED SUFFICIENTLY IN ADVANCE SO AS TO SERVE AS A GUIDE TO PLANTING DECISIONS.

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3. ON FEBRUARY 20 REPRESENTATIVES OF THE MINISTRY OF AGRICULTURE AND FARM ORGANIZATIONS AND UNIONS BEGAN INFORMAL DISCUSSIONS, ATTEMPTING TO ARRIVE AT A CONSENSUS WITH RESPECT TO THE PRICE PACKAGE. 19 BASIC PRODUCTS ARE INCLUDED: WHEAT, RYE, BARLEY, OATS, CORN, GRAIN SORGHUM, RICE, COTTON, SUNFLOWERSEED, SUGAR BEETS, SUGAR CANE, WINE, OLIVE OIL, COW'S MILK, BEEF, PORK, POULTRY, MEAT

AND EGGS. THE RELATIVE IMPORTANCE OF EACH COMMODITY TO THE NATIONAL ECONOMY WILL DETERMINE ITS WEIGHT IN MAKING UP THE OVERALL AVERAGE PRICE INCREASE NOW BEING NEGOTIATED.

4. UNCONFIRMED PRESS REPORTS AT THE TIME WERE QUOTING SEVERAL DIFFERENT AVERAGE PRICE RISE PROPOSALS ON THE PART OF VARIOUS GOVERNMENT AGENCIES: MINISTRY OF AGRICULTURE, 18; MINISTRY OF COMMERCE, 10; AND MINISTRY OF ECONOMY 8.

5. ON MARCH 1 THE FOUR FARM ORGANIZATIONS AND UNIONS AGREED AMONG THEMSELVES ON AN AVERAGE 29.44 PRICE INCREASE AS A STARTING POINT FOR FORMAL NEGOTIATIONS. THESE SAME ORGANIZATIONS HOWEVER LATER LOWERED THEIR DEMANDS AND AGREED TO ACCEPT A 22 RISE IN PRICES PROVIDED THE GOVERNMENT WOULD CONSENT TO THE FOLLOWING MEASURES WHICH WOULD HAVE THE EFFECT OF CONSIDERABLY INCREASING FARMER INCOME:

A. ELIMINATE THE IMPORTATION OF AGRICULTURAL COMMODITIES WHICH ARE NOT CONSIDERED TO BE ESSENTIAL AND HAVE A DETRIMENTAL EFFECT ON PRICES PAID TO FARMERS. NECESSARY IMPORTS SHOULD BE CONTROLLED BY FARM ORGANIZATIONS.
B. GRANT DIRECT SUBSIDIES TO FAMILY SIZE FARMS.
C. DEFINE CROP PLANNING CRITERIA.
D. ESTABLISH A PROGRAM FOR THE IMPROVEMENT OF FARM STRUCTURES.

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E. MODIFY THE EXISTING SOCIAL SECURITY TAX SYSTEM.

6. ON MARCH 7 FORMAL NEGOTIATIONS COMMENCED WITH THE PARTICIPATION OF THE NEWLY APPOINTED MINISTER OF AGRICULTURE, LAMO DE ESPINOSA. FARMERS' REPRESENTATIVES REDUCED THEIR DEMANDS AGAIN AND ASKED FOR AN OVERALL PRICE INCREASE OF 19 TO 20 PERCENT. THE MINISTER EMPHASIZED THAT CURRENT NEGOTIATIONS COULD NOT LEAD TO BINDING GOVERNMENT COMMITMENTS. HE ALSO MADE IT CLEAR THAT CONTRARY TO PRESS REPORTS THE GOVERNMENT HAD NOT AGREED TO A NEGOTIATION MANDATE BASED ON A 17 INCREASE.

7. A NEW MEETING WITH THE MINISTER IS SCHEDULED FOR SATURDAY, MARCH 11 AND THERE ARE REPORTS THAT A GOVERNMENT DECISION MAY BE FORTHCOMING AS EARLY AS MARCH 13. THE MONTH OF MARCH IS A CRITICAL TIME FOR THE MAJORITY OF THE FARM COMMODITIES INVOLVED, SINCE MARCH-APRIL IS THE PLANTING TIME FOR THE FOLLOWING CROPS: COTTON, SUNFLOWER, CORN, GRAIN SORGHUM, RICE, SUGAR CANE, DURUM WHEAT AND TWO-ROWED BARLEY (IN CERTAIN AREAS), AND CROP-MIX DECISIONS DEPEND HEAVILY ON RELATIVE PRICES WHICH WILL BE PART OF THE NEGOTIATED PACKAGE. IN ADDITION,

APRIL MARKS THE BEGINNING OF THE MARKETING YEAR FOR COW'S MILK, POULTRY AND EGGS, AND LIVESTOCK CARCASSES.

8. COMMENT: GIVEN A BACKGROUND OF SUBSTANTIAL FARMER UNREST (MAINLY IN ARAGON, CATALONIA AND GALICIA) AND THE ACCESSION OF FORMER MINISTER OF AGRICULTURE ABRIL MARTORELL TO THE POST OF SECOND VICE PRESIDENT AND MINISTER OF ECONOMY ONE MIGHT EXPECT A MORE SYMPATHETIC HEARING FOR FARMERS' PRICE DEMANDS. HOWEVER, THE CAUTIOUS WORDS OF THE NEW MINISTER OF AGRICULTURE AT THE OPENING OF FORMAL NEGOTIATIONS OBVIOUSLY REFLECT STRONG AND CONTINUED PRESSURES ON THE PART OF THE MINISTRY OF ECONOMY WHICH HAS ALWAYS LOOKED WITH APPREHENSION ON ANY MAJOR

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INCREASE IN FARM PRICES. THE CONSENSUS OF GOVERNMENT AND TRADE CONTACTS APPROACHED BY THE AGRICULTURAL ATTACHE IS THAT FARM PRICES ARE LIKELY TO EXPERIENCE A MODERATE INCREASE OF AN OVERALL 12 TO 15 PERCENT. THIS WOULD PROBABLY BE ACCCOMPANIED BY A SERIES OF SUBSIDIES, BUT THEIR EXTENT AND INCOME VALUE TO FARMERS IS NOT YET CLEAR. FINANCE MINISTER FERNANDEZ-ORDONEZ RECENTLY TOLD THE AMBASSADOR THAT THE DISPUTE OVER FARM PRICE POLICY BETWEEN FUENTES QUINTANA AND FORMER AGRICULTURE MINISTER ENRIQUE MARTINEZ WAS ONE OF THE FACTORS LEADING TO THE RECENT CABINET CHANGES AND THAT HE (FERNANDEZ ORDONEZ) THOUGHT FARM PRICES WOULD HAVE TO BE ALLOWED TO RISE MORE THAN THE GOVERNMENT HAD ORGINALLY PLANNED. STABLER

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